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March 24, 2003

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The Honorable Joseph E. Schmitz
Office of the Inspector General
United States Department of Defense
The Pentagon
Washington, DC 20301

Dear General Schmitz:

I am writing to request that your office immediately open an investigation into allegations of conflict of interest and other misconduct involving Richard N. Perle, Chairman of the Pentagon's Defense Policy Board. As a result of this position, Mr. Perle is considered a "special government employee,"¹ and is subject to government ethics prohibition – both regulatory² and criminal³ – on using public office for private gain. As you know, under the Inspector General statute, your office is authorized to conduct investigations into any abuse or misconduct by senior officials.⁴

I am aware of several potential conflicts that warrant your immediate review. First, Mr. Perle has contracted with bankrupt telecommunications company Global Crossing Ltd. to try to win U.S. government approval of its \$250 million sale to two Asian companies over the objections of the FBI and the Department of Justice. Perle is being paid \$125,000 for his advice and stands to reap a highly unusual \$600,000 bonus if the sale is approved by the U.S. Committee for Foreign Investment in the United States (CFIUS), a government group that includes representatives from the Defense Department.

¹18 U.S.C. 202.

²See 5 CFR Part 2635, 3601.105

³See 18 U.S.C. 203 (compensation in matters affecting Government); 18 U.S.C. 205 (activities of officers in matters affecting the Government); and 18 U.S.C. 208 (acts affecting a personal financial interest)

⁴5 U.S.C. 8.

Although Perle has denied that he has sought to use his government position to benefit Global Crossing, he has reportedly signed an affidavit which directly contradicts this contention. According to the *New York Times*, in a March 7, 2003 affidavit, Perle stated, "As the chairman of the Defense Policy Board, I have a unique perspective on and intimate knowledge of the national defense and security issues that will be raised by the CFIUS review process that is not and could not be available to the other CFIUS professionals."⁵ According to this article, Perle has even acknowledged contacting at least one government official on Global Crossing's behalf, though Perle refuses to identify this person. The fact that Mr. Perle may be reconsidering filing the affidavit does not alter the existence of the alleged conflict.

Second, Perle's position on the Board of Directors of software developer Autonomy, a data mining company that lists the Defense Department and the Homeland Security Department as customers would appear to present a significant conflict with his Defense Department.⁶ While Perle has drawn no salary, he has received more than 120,000 share options from Autonomy.⁷ Perle's award of these share options gives him a direct financial stake in the success of this company. Indeed, the National Association of Pension Funds recently recommended that shareholders "abstain" when Perle comes up for reappointment this summer because the group feels that share options "compromise the independent status" of independent directors such as Perle.⁸

Third, Mr. Perle serves as managing partner of a private venture capital firm called Trireme Partners that invests primarily in companies that deal in goods and services related to national security. Again, this would seem to present a conflict of interest with his position as Chairman of the Defense Policy Board. In this regard, Pulitzer Prize-winning journalist Seymour Hersh recently reported that on January 3, 2003, that Mr. Perle met with Saudi businessmen, including arms dealer Adnan Kashoggi, in Marseilles, France, to secure their investment in Perle's company.⁹ The article contains a highly disturbing quote from Prince Bandar bin Sultan,

⁵Stephen Labaton, "Pentagon Adviser is also Advising Global Crossing," *New York Times*, March 21, 2003.

⁶Patience Wheatcroft, "A Question of Conflict," *The Times* (of London), March 22, 2003.

⁷*Id.*

⁸Dan Sabbagh and Joe Lauria, "Concern Over Pentagon Adviser's Status on Autonomy Board," *The Times* (of London), March 22, 2003.

⁹Seymour M. Hersh, "Lunch With The Chairman," *The New Yorker*, March 17, 2003.

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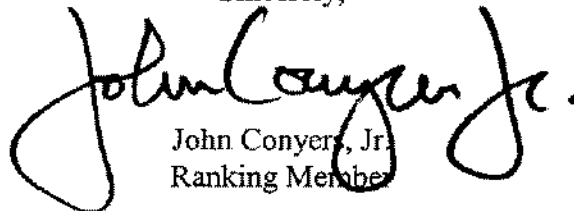
the Saudi ambassador to the U.S.: "There were elements of the appearance of blackmail -- 'If we get in business, he'll back off on Saudi Arabia' -- as I have been informed by participants in the meeting."

Finally, I would note that it has been reported that on March 19, 2003, Perle spoke in a conference call sponsored by Goldman Sachs, in which he advised participants on possible investment opportunities arising from the war in Iraq. The conference's title was "Implication of an Imminent War: Iraq Now. North Korea Next?"¹⁰. Again, I would submit that it is a conflict of interest for a high ranking government official to be proffering advice on how to profit from the war.

As the Ranking Member of the House Judiciary Committee, which has jurisdiction over conflict of interest rules, I have a strong interest in insuring that our laws are being complied with, particularly those which touch on the integrity of our ethical requirements at a time of war.

Please respond to me though the House Judiciary Committee Democratic Staff, B 351-C Rayburn House Office Building, Attn: Perry Apelbaum/Ted Kalo, tel. 202-225-6504, fax 202-225-7680.

Sincerely,



John Conyers, Jr.
Ranking Member

cc: Honorable F. James Sensenbrenner, Jr.
Chairman, House Judiciary Committee

¹⁰Labaton, "Pentagon Adviser is also Advising Global Crossing."